



# Looking **FORWARD**

**T**he year 2008 will go down as the year of the crash; not just speaking of the national meltdown in the financial sector, but the shutdown of the Utah employment growth machine as well. It is anticipated that when 2008 is

in the books, Utah's employment growth will have fallen from a 4 percent growth rate in 2007, to only 0.2 percent in 2008. At that level, we may as well just call it zero—no employment growth.

That is just the 12-month, calendar-year average of the Utah economy. If we look at just the last several months of 2008, we find that the Utah employment numbers have already fallen below zero growth—in other words,

employment contraction. Current reports have Utah's employment change hovering at just above zero in recent months, but I believe that later employment revisions will actually move this quantification onto the negative side of the ledger. In other words, the state is already losing jobs.

The construction industry is the main culprit, particularly residential construction. It is anticipated that Utah will have lost over 15,000 construction jobs in 2008. The home-building contraction in Utah will go down as historic, and it's amazing when considering the number of construction job losses that the state's unemployment rate isn't higher than 3.5 percent.

But much of this could be due to a large unauthorized Hispanic labor force that helped fuel Utah's recent home-building boom, and many of those workers may have simply left the state.

Only a handful of other Utah industries are on the slide. Manufacturing is one, but its job losses for the year are expected to be just over 1,000, significantly

less than the construction job loss. The financial and information sectors will also record small job losses. Outside of these industries, Utah's remaining industrial sectors are holding up relatively well. But with the late season swoon in the financial and stock markets nationally, it is feared, and anticipated, that more industries will soon start shedding workers.

So what is the economic outlook in the face of the current financial crisis? A guaranteed recession—both nationally and here in Utah. These economic illwinds are much too large for even Utah to sidestep.

Is Utah already in a recession? It would be hard to classify it as such with only the construction industry causing nearly all this downward employment pull. But when manufacturing job losses continue to increase, when financial sector losses grow, when retail trade starts losing jobs, when professional and business services dip to the negative side, and when the unemployment rate rises near 5 percent, then it will be safer to label Utah in a recession. That is what

is expected as we move forward into 2009.

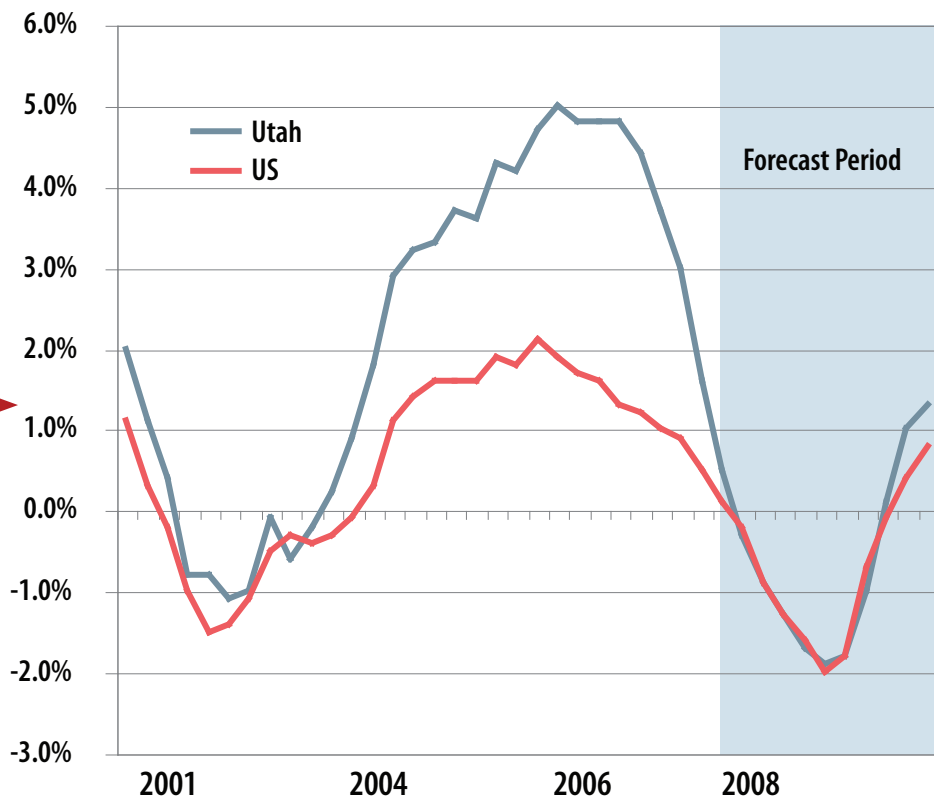
In Utah, 2009 is anticipated to be one of those rare years where the employment count is lower than observed in 2008. It is anticipated that 2009 employment will be over 19,000 jobs fewer than recorded in 2008, a contraction rate of 1.5 percent. The last time Utah had fewer jobs in one year than the previous was in 2002, during the dot com recession.

But before that, one has to go back to 1963 to record another such event—a span of 38 years. Job contractions are rare in Utah, but the recent ones are being spurred by large national economic events.

Will there be any rebound in 2009? Probably not. The bulk of the contraction will likely occur in the last half of 2008 and throughout most of 2009. A sluggish and very slow rebound may emerge thereafter, but will not have enough umph to push the yearly employment numbers back toward the positive side of the ledger. That may have to wait until 2010. ❶

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*Year-Over Percent Change in Nonfarm Jobs*



Sources: Historical Data—U.S. Bureau of Labor Statistics; Forecasted Data—Utah Department of Workforce Services and Global Insight.